

113TH CONGRESS  
1ST SESSION

# S. 1085

To amend the Internal Revenue Code of 1986 to provide tax incentives for small businesses.

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## IN THE SENATE OF THE UNITED STATES

JUNE 3, 2013

Ms. COLLINS (for herself and Mr. CASEY) introduced the following bill; which was read twice and referred to the Committee on Finance

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# A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives for small businesses.

1       *Be it enacted by the Senate and House of Representa-  
2 tives of the United States of America in Congress assembled,*

**3 SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Small Business Tax  
5 Certainty and Growth Act of 2013”.

**6 SEC. 2. SENSE OF THE SENATE REGARDING TAX REFORM.**

7       It is the sense of the Senate that Congress should  
8 undertake comprehensive tax reform legislation to—

- 9             (1) make our system fairer and simpler; and  
10            (2) promote economic growth.

1   **SEC. 3. PERMANENT DOUBLING OF DEDUCTIONS FOR**  
2                   **START-UP EXPENSES, ORGANIZATIONAL EX-**  
3                   **PENSES, AND SYNDICATION FEES.**

4       (a) START-UP EXPENSES.—

5               (1) IN GENERAL.—Clause (ii) of section  
6               195(b)(1)(A) of the Internal Revenue Code of 1986  
7               is amended—

8                       (A) by striking “\$5,000” and inserting  
9                       “\$10,000”, and

10                      (B) by striking “\$50,000” and inserting  
11                       “\$60,000”.

12               (2) CONFORMING AMENDMENT.—Subsection (b)  
13               of section 195 of the Internal Revenue Code of 1986  
14               is amended by striking paragraph (3).

15               (b) ORGANIZATIONAL EXPENSES.—Subparagraph  
16               (B) of section 248 of the Internal Revenue Code of 1986  
17               is amended—

18                       (1) by striking “\$5,000” and inserting  
19                       “\$10,000”, and

20                      (2) by striking “\$50,000” and inserting  
21                       “\$60,000”.

22               (c) ORGANIZATION AND SYNDICATION FEES.—  
23   Clause (ii) of section 709(b)(1)(A) of the Internal Revenue  
24   Code of 1986 is amended—

25                       (1) by striking “\$5,000” and inserting  
26                       “\$10,000”, and

1                             (2) by striking “\$50,000” and inserting  
2                             “\$60,000”.

3                             (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to amounts paid or incurred in tax-  
5 able years ending on or after the date of the enactment  
6 of this Act.

7                             **SEC. 4. CLARIFICATION OF CASH ACCOUNTING RULES FOR**  
8                             **SMALL BUSINESS.**

9                             (a) CASH ACCOUNTING PERMITTED.—

10                            (1) IN GENERAL.—Section 446 of the Internal  
11 Revenue Code of 1986 (relating to general rule for  
12 methods of accounting) is amended by adding at the  
13 end the following new subsection:

14                            “(g) CERTAIN SMALL BUSINESS TAXPAYERS PER-  
15 MITTED TO USE CASH ACCOUNTING METHOD WITHOUT  
16 LIMITATION.—

17                            “(1) IN GENERAL.—An eligible taxpayer shall  
18 not be required to use an accrual method of account-  
19 ing for any taxable year.

20                            “(2) ELIGIBLE TAXPAYER.—For purposes of  
21 this subsection, a taxpayer is an eligible taxpayer  
22 with respect to any taxable year if—

23                            “(A) for all prior taxable years beginning  
24 after December 31, 2013, the taxpayer (or any

1 predecessor) met the gross receipts test of sec-  
2 tion 448(c), and

3 “(B) the taxpayer is not subject to section  
4 447 or 448.”.

5 (2) EXPANSION OF GROSS RECEIPTS TEST.—

6 (A) IN GENERAL.—Paragraph (3) of sec-  
7 tion 448(b) of such Code (relating to entities  
8 with gross receipts of not more than  
9 \$5,000,000) is amended by striking  
10 “\$5,000,000” in the text and in the heading  
11 and inserting “\$10,000,000”.

12 (B) CONFORMING AMENDMENTS.—Section  
13 448(c) of such Code is amended—

14 (i) by striking “\$5,000,000” each  
15 place it appears in the text and in the  
16 heading of paragraph (1) and inserting  
17 “\$10,000,000”, and

18 (ii) by adding at the end the following  
19 new paragraph:

20 “(4) INFLATION ADJUSTMENT.—In the case of  
21 any taxable year beginning in a calendar year after  
22 2014, the dollar amount contained in subsection  
23 (b)(3) and paragraph (1) of this subsection shall be  
24 increased by an amount equal to—

25 “(A) such dollar amount, multiplied by

1                 “(B) the cost-of-living adjustment deter-  
2                 mined under section 1(f)(3) for the calendar  
3                 year in which the taxable year begins, by sub-  
4                 stituting ‘calendar year 2013’ for ‘calendar year  
5                 1992’ in subparagraph (B) thereof.

6                 If any amount as adjusted under this subpara-  
7                 graph is not a multiple of \$100,000, such  
8                 amount shall be rounded to the nearest multiple  
9                 of \$100,000.”.

10                 (b) CLARIFICATION OF INVENTORY RULES FOR  
11                 SMALL BUSINESS.—

12                 (1) IN GENERAL.—Section 471 of the Internal  
13                 Revenue Code of 1986 (relating to general rule for  
14                 inventories) is amended by redesignating subsection  
15                 (c) as subsection (d) and by inserting after sub-  
16                 section (b) the following new subsection:

17                 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED  
18                 TO USE INVENTORIES.—

19                 “(1) IN GENERAL.—A qualified taxpayer shall  
20                 not be required to use inventories under this section  
21                 for a taxable year.

22                 “(2) TREATMENT OF TAXPAYERS NOT USING  
23                 INVENTORIES.—If a qualified taxpayer does not use  
24                 inventories with respect to any property for any tax-  
25                 able year beginning after December 31, 2013, such

1       property shall be treated as a material or supply  
2       which is not incidental.

3           “(3) QUALIFIED TAXPAYER.—For purposes of  
4       this subsection, the term ‘qualified taxpayer’  
5       means—

6           “(A) any eligible taxpayer (as defined in  
7       section 446(g)(2)), and

8           “(B) any taxpayer described in section  
9       448(b)(3).”.

10          (2) INCREASED ELIGIBILITY FOR SIMPLIFIED  
11       DOLLAR-VALUE LIFO METHOD.—Section 474(c) is  
12       amended by striking “\$5,000,000” and inserting  
13       “the dollar amount in effect under section  
14       448(c)(1)”.

15          (c) EFFECTIVE DATE AND SPECIAL RULES.—

16           (1) IN GENERAL.—The amendments made by  
17       this section shall apply to taxable years beginning  
18       after December 31, 2013.

19           (2) CHANGE IN METHOD OF ACCOUNTING.—In  
20       the case of any taxpayer changing the taxpayer’s  
21       method of accounting for any taxable year under the  
22       amendments made by this section—

23           (A) such change shall be treated as initi-  
24       ated by the taxpayer;

**10 SEC. 5. PERMANENT EXTENSION OF EXPENSING LIMITA-**

12 (a) DOLLAR LIMITATION.—Section 179(b)(1) of the  
13 Internal Revenue Code of 1986 is amended by striking  
14 “shall not exceed” and all that follows and inserting “shall  
15 not exceed \$250,000.”.

(b) REDUCTION IN LIMITATION.—Section 179(b)(2) of such Code is amended by striking “exceeds” and all that follows and inserting “exceeds \$800,000.”.

19           (c) INFLATION ADJUSTMENT.—Subsection (b) of sec-  
20 tion 179 of such Code is amended by adding at the end  
21 the following new paragraph:

## 22                  “(6) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2014, the \$250,000 in paragraph (1) and the

1       \$800,000 amount in paragraph (2) shall each  
2       be increased by an amount equal to—

3               “(i) such dollar amount, multiplied by  
4               “(ii) the cost-of-living adjustment de-  
5               termined under section 1(f)(3) for the cal-  
6               endar year in which the taxable year be-  
7               gins, by substituting ‘calendar year 2013’  
8               for ‘calendar year 1992’ in subparagraph  
9               (B) thereof.

10              “(B) ROUNDING.—

11               “(i) DOLLAR LIMITATION.—If the  
12               amount in paragraph (1) as increased  
13               under subparagraph (A) is not a multiple  
14               of \$1,000, such amount shall be rounded  
15               to the nearest multiple of \$1,000.

16               “(ii) PHASEOUT AMOUNT.—If the  
17               amount in paragraph (2) as increased  
18               under subparagraph (A) is not a multiple  
19               of \$10,000, such amount shall be rounded  
20               to the nearest multiple of \$10,000.”.

21       (d) COMPUTER SOFTWARE.—Section  
22 179(d)(1)(A)(ii) of such Code is amended by striking “and  
23 before 2014”.

24       (e) ELECTION.—Section 179(c)(2) of such Code is  
25 amended by striking “and before 2014”.

1       (f) SPECIAL RULES FOR TREATMENT OF QUALIFIED  
2 REAL PROPERTY.—

3           (1) IN GENERAL.—Section 179(f)(1) of such  
4 Code is amended by striking “beginning in 2010,  
5 2011, 2012, or 2013” and inserting “beginning  
6 after 2009”.

7           (2) CONFORMING AMENDMENT.—Section 179(f)  
8 of such Code is amended by striking paragraph (4).

9           (g) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 2013.

12 **SEC. 6. EXTENSION OF BONUS DEPRECIATION.**

13       (a) IN GENERAL.—Paragraph (2) of section 168(k)  
14 of the Internal Revenue Code of 1986 is amended—

15           (1) by striking “January 1, 2015” in subparagraph  
16 (A)(iv) and inserting “January 1, 2016”, and  
17           (2) by striking “January 1, 2014” each place  
18 it appears and inserting “January 1, 2015”.

19       (b) SPECIAL RULE FOR FEDERAL LONG-TERM CON-  
20 TRACTS.—Clause (ii) of section 460(c)(6)(B) of the Inter-  
21 nal Revenue Code of 1986 is amended by striking “Janu-  
22 ary 1, 2014 (January 1, 2015” and inserting “January  
23 1, 2015 (January 1, 2016”.

24       (c) CONFORMING AMENDMENTS.—

1                   (1) The heading for subsection (k) of section  
2         168 of the Internal Revenue Code of 1986 is amend-  
3         ed by striking “JANUARY 1, 2014” and inserting  
4         “JANUARY 1, 2015”.

5                   (2) The heading for clause (ii) of section  
6         168(k)(2)(B) of such Code is amended by striking  
7         “PRE-JANUARY 1, 2014” and inserting “PRE-JANU-  
8         ARY 1, 2015”.

9                   (3) Section 168(k)(4)(D) is amended by strik-  
10         ing “and” at the end of clause (ii), by striking the  
11         period at the end of clause (iii) and inserting a  
12         comma, and by adding at the end the following new  
13         clauses:

14                   “(iv) ‘January 1, 2015’ shall be sub-  
15         stituted for ‘January 1, 2016’ in subpara-  
16         graph (A)(iv) thereof, and

17                   “(v) ‘January 1, 2014’ shall be sub-  
18         stituted for ‘January 1, 2015’ each place it  
19         appears in subparagraph (A) thereof.”.

20                   (4) Section 168(l)(4) of such Code is amended  
21         by striking “and” at the end of subparagraph (A),  
22         by redesignating subparagraph (B) as subparagraph  
23         (C), and by inserting after subparagraph (A) the fol-  
24         lowing new subparagraph:

1                 “(B) by substituting ‘January 1, 2014’ for  
2                 ‘January 1, 2015’ in clause (i) thereof, and”.

3                 (5) Subparagraph (C) of section 168(n)(2) of  
4                 such Code is amended by striking “January 1,  
5                 2014” and inserting “January 1, 2015”.

6                 (6) Subparagraph (D) of section 1400L(b)(2)  
7                 of such Code is amended by striking “January 1,  
8                 2014” and inserting “January 1, 2015”.

9                 (7) Subparagraph (B) of section 1400N(d)(3)  
10                 of such Code is amended by striking “January 1,  
11                 2014” and inserting “January 1, 2015”.

12                 (d) EFFECTIVE DATE.—The amendments made by  
13                 this section shall apply to property placed in service after  
14                 December 31, 2013, in taxable years ending after such  
15                 date.

16 **SEC. 7. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RE-**  
17                 **COVERY FOR QUALIFIED LEASEHOLD IM-**  
18                 **PROVEMENTS, QUALIFIED RESTAURANT**  
19                 **BUILDINGS AND IMPROVEMENTS, AND**  
20                 **QUALIFIED RETAIL IMPROVEMENTS.**

21                 (a) IN GENERAL.—Clauses (iv), (v), and (ix) of sec-  
22                 tion 168(e)(3)(E) of the Internal Revenue Code of 1986  
23                 are each amended by striking “January 1, 2014” and in-  
24                 serting “January 1, 2015”.

1       (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 December 31, 2013.

